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Message Text

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UNCLAS SECTION 1 OF 2 MONTREAL 643

E. O. 11652: N/A
TAGS: ECON, EIND, CA
SUBJ: PQ PROPOSALS ON AUTOMOBILE INSURANCE

SUMMARY: PQ WHITE PAPER ON AUTOMOBILE INSURANCE PROPOSES COMPROMISE SYSTEM WITH GOVERNMENT'S NO FAULT PROGRAM TO APPLY ONLY TO PHYSICAL INJURY. PROPERTY DAMAGE, WHICH ACCOUNTS FOR THREE-QUARTERS OF ANNUAL PREMIUMS, WOULD BE LEFT FOR PRIVATE INDUSTRY. FIRMS THAT WE HAVE CONTACTED ARE HAPPY WITH PROPOSALS. MOST HAD EXPECTED MUCH GREATER DEGREE OF GOVERNMENT INVOLVEMENT. GOVERNMENT HAS TAKEN FINANCIALLY CAUTIOUS APPROACH, EMPHASIZING THAT PROGRAM WILL PROBABLY NOT RESULT IN ANY REDUCTION IN COSTS OF AUTOMOBILE INSURANCE. AMERICAN COMPANIES ACCOUNT FOR ABOUT ONE QUARTER OF QUEBEC MARKET, WITH ANNUAL PREMIUMS OF ABOUT DOLS 140 MILLION IN 1975. END SUMMARY.

1. GOVERNMENT OF QUEBEC HAS ISSUED WHITE PAPER OUTLINING PROPOSALS FOR NO FAULT AUTOMOBILE INSURANCE IN QUEBEC. AFTER PUBLIC DISCUSSION OF PROPOSALS, LEGISLATION IS EXPECTED TO BE SUBMITTED TO QUEBEC NATIONAL ASSEMBLY BEFORE END OF YEAR. AS PROPOSED, PLAN IS A COMPROMISE, WITH PROVINCIAL GOVERNMENT TAKING OVER ONLY PHYSICAL INJURIES. COMPULSORY BASIC COVERAGE
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FOR BODILY INJURIES AND DEATH WILL BE PROVIDED BY A GOVERNMENT BOARD, BUT PRIVATE INSURANCE COMPANIES WILL CONTINUE TO SELL COVERAGE FOR PROPERTY DAMAGE AND COLLISION, WHICH WILL STILL BE BASED ON PRINCIPLE OF RESPONSIBILITY. PRIVATE COMPANIES WILL ALSO SELL LIABILITY INSURANCE TO PROVIDE COVERAGE IN EXCESS OF GOVERNMENT LIMITS. AS PROPERTY DAMAGE PORTION OF AUTOMOBILE INSURANCE ACCOUNTS FOR 75 TO 80 O/O OF AUTOMOBILE INSURANCE

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PREMIUMS, COMPANIES WITH WHOM WE HAVE TALKED ARE HAPPY WITH QUEBEC PROPOSALS. PRIVATE COMPANIES WILL ALSO BENEFIT FROM PROVISIONS MAKING PROPERTY DAMAGE INSURANCE MANDATORY. CURRENTLY, QUEBEC DRIVERS ARE NOT REQUIRED TO CARRY ANY INSURANCE.

2. COMPENSATION FOR LOSS OF SALARY WILL RANGE FROM A MINIMUM OF DOLS 80 A WEEK TO A MAXIMUM OF DOLS 312 A WEEK, BASED ON 90 O/O OF GROSS SALARY OF DOLS 18,000 PER YEAR. PROVINCIAL GOVERNMENT ESTIMATES THAT BASIC COVERAGE WILL BE ADEQUATE TO PROVIDE FULL COMPENSATION FOR LOSS OF SALARY FOR 85 O/O OF QUEBEC'S POPULATION. ALL MEDICAL COSTS WILL BE PAID BY GOVERNMENT BOARD UNLESS ALREADY COVERED BY HEALTH OR HOSPITAL INSURANCE. A LUMP SUM INDEMNITY WILL BE PAID FOR DISFIGUREMENT, OR OTHER SIMILAR INJURIES, THAT CAN NOT BE EVALUATED IN ECONOMIC TERMS. PERSONS NOT SATISFIED WITH THE PROVINCIAL INSURANCE BOARD'S SETTLEMENTS MAY APPEAL DECISION BEFORE A QUASI-JUDICIAL BODY, NOT YET DEFINED IN WHITE PAPER, BUT COURT APPEALS WILL NOT BE PERMITTED.

3. WHAT IS SURPRISING ABOUT QUEBEC PROGRAM IS THAT IT LIMITS GOVERNMENT INVOLVEMENT ONLY TO PHYSICAL INJURIES AND THAT COST OF AUTOMOBILE INSURANCE FOR QUEBEC RESIDENTS WILL NOT BE REDUCED UNDER NEW PROGRAM. PARTI QUEBECOIS PLATFORM HAS LONG TALKED ABOUT NEED FOR TOTAL NATIONALIZATION OF INSURANCE INDUSTRY AND NEED TO REDUCE COSTS OF AUTOMOBILE INSURANCE. HOWEVER, LISE PAYETTE, QUEBEC'S MINISTER OF CONSUMERS, CO-OPERATIVE, AND FINANCIAL INSTITUTIONS, HAS SAID THAT SHE CAN GIVE NO GUARANTEE THAT PREMIUMS WILL DROP AS A RESULT OF NEW SYSTEM. GOVERNMENT'S GOAL, SHE SAID, IS QUICKER AND BETTER INDEMNIFICATION. GOVERNMENT WAS SAID TO BE CONCERNED ABOUT COSTS OF INVOLVEMENT IN ANY
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EXTENSIVE INSURANCE PROGRAM AND EFFECTS WHICH GOVERNMENT TAKEOVER WOULD HAVE ON EMPLOYMENT IN QUEBEC.

4. IT IS ESTIMATED THAT QUEBECKERS WILL PAY TOTAL OF ABOUT DOLS 385 MILLION FOR GOVERNMENT'S BASIC COVERAGE PLAN IN 1978. NO DECISION HAS YET BEEN TAKEN ON HOW PROGRAM WILL BE FINANCED, BUT GOVERNMENT IS CONSIDERING FOLLOWING FOUR WAYS:
-- A 20-CENT SURTAX ON PRICE OF A GALLON OF GASOLINE
-- AN AVERAGE FEE OF ABOUT DOLS 120 FOR EVERY DRIVER
-- AN AVERAGE FEE OF ABOUT DOLS 110 FOR EVERY OWNER OF AN AUTOMOBILE
-- AN INCOME TAX OF ABOUT 1.1 O/O
A COMBINATION OF THESE APPROACHES IS ALSO BEING CONSIDERED.

5. GOVERNMENT'S POLICY TOWARD AUTOMOBILE INSURANCE IS EXTREMELY IMPORTANT FOR PRIVATE INSURANCE INDUSTRY, AS AUTOMOBILE INSURANCE ACCOUNTS FOR ABOUT 55 O/O OF TOTAL INSURANCE BUSINESS. WITHOUT THE BASE PROVIDED BY AUTOMOBILE INSURANCE MARKET, MANY FOREIGN COMPANIES WOULD NOT FIND IT WORTHWHILE TO CONTINUE OPERATIONS

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IN QUEBEC. WITHIN CANADA, QUEBEC REPRESENTS THE MAJOR MARKET FOR INSURANCE COMPANIES IN TERMS OF PREMIUMS. ANNUAL PREMIUMS FOR AUTOMOBILE INSURANCE IN QUEBEC TOTAL DOLS 810 MILLION, NEARLY HALF OF ALL AUTOMOBILE INSURANCE PREMIUMS COLLECTED BY PRIVATE COMPANIES IN CANADA. LARGE PREMIUM FLOW IN QUEBEC REFLECTS HIGH ACCIDENT RATE - 1 IN 12 QUEBEC CARS WILL BE INVOLVED IN ACCIDENTS AS COMPARED TO AVERAGE FOR CANADA OF 1 IN 15. SEVENTEEN US COMPANIES WRITE AUTOMOBILE INSURANCE IN QUEBEC, WITH ANNUAL PREMIUMS IN 1975 TOTALING DOLS 140 MILLION, ABOUT ONE-QUARTER OF TOTAL FOR QUEBEC IN THAT YEAR. QUEBEC FIRMS ACCOUNT FOR 33 O/O OF MARKET, BRITISH FIRMS FOR 27 O/O, AND CANADIAN FIRMS BASED OUTSIDE QUEBEC FOR 15 O/O.

6. PROGRAMS FOR AUTOMOBILE INSURANCE VARY THROUGHOUT CANADA. SASKATCHEWAN AND MANITOBA HAVE GOVERNMENT-RUN COMPLETE NO FAULT SYSTEMS, INCLUDING PROPERTY DAMAGE AND COLLISION. SYSTEM IS REPORTED TO OPERATE BEAUTIFULLY IN SASKATCHEWAN, WHERE THERE
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ARE NO LARGE CITIES AND THEREFORE NO CONCENTRATIONS OF AUTOMO-BILES. NO FAULT SYSTEM IN MANITOBA HAS OPERATED AT LOSS, WITH GOVERNMENT INCURRING LARGE EXPENSES TO KEEP COMPLETE NO FAULT SYSTEM IN OPERATION. BRITISH COLUMBIA BEGAN WITH COMPLETE NO FAULT SYSTEM, SUFFERED ENORMOUS LOSSES, AND UNDER NEW GOVERN-MENT HAS MODIFIED SYSTEM TO EXCLUDE COLLISION. AS RESULT, PRIVATE COMPANIES HAVE AGAIN BEGUN TO WRITE COLLISION POLICIES IN BC. AUTOMOBILE INSURANCE IN ONTARIO IS WRITTEN TOTALLY BY PRIVATE COMPANIES.

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7. AS DRAFTED, THERE WILL BE SEVERAL MAJOR DIFFERENCES, IN ADDITION TO EXCLUSION OF PROPERTY COVERAGE, BETWEEN QUEBEC'S NO FAULT SYSTEM, AND THOSE IN OPERATION IN OTHER CANADIAN PROVINCES. INJURY PAYMENTS UNDER QUEBEC SYSTEM WILL BE SIGNIFICANTLY HIGHER. QUEBEC MAXIUM OF DOLS 312 PER WEEK COMPARES TO DOLS 70 IN SASKATCHEWAN AND MANITOBA, AND TO DOLS 105 IN BRITISH COLUMBIA. IN ADDITION, QUEBECKERS WILL BE ALLOWED TO TAKE OUT SUPPLEMENTAL PHYSICAL INJURY INSURANCE WITH PRIVATE COMPANIES. QUEBEC SYSTEM WILL ALSO PROHIBIT COURT APPEALS FOR HIGHER SETTLEMENTS, AS FOR EXAMPLE IN CASE WHERE INJURED PARTY BELIEVES LOSS OF EYE IS WORTH MORE THAN COMPENSATION RECEIVED FROM GOVERNMENT. OTHER PROVINCES HAVE PRESERVED RIGHT OF CITIZENS TO SUE FOR HIGHER BENEFITS. IT IS EXPECTED THAT QUEBEC PROGRAM WILL COME UNDER HEAVY ATTACK FROM BAR ASSOCIATION, WITH POSSIBILITY THAT PROPOSALS MAY BE MODIFIED TO ALLOW TORT CLAIMS.

8. ONLY CONCERN THAT WE HAVE FOUND IN INSURANCE INDUSTRY IS FEAR THAT WHITE PAPER MAY BE ONLY FIRST STEP, WITH SUBSEQUENT MEASURES LEADING TO EVENTUAL TOTAL NATIONALIZATION OF INDUSTRY. MOST IN INDUSTRY SEEM TO BELIEVE, HOWEVER, THAT PROVINCIAL GOVERNMENT WOULD PREFER TO LEAVE PROPERTY PORTION OF BUSINESS TO PRIVATE INDUSTRY IN RECOGNITION BOTH OF EXCESSIVE COSTS ATTENDING PROPERTY
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DAMAGES AND OF FACT THAT PROPERTY DAMAGE IS MOST CONTENTIOUS ARE OF AUTOMOBILE INSURANCE BUSINESS. INDUSTRY EXPECTS THAT PRESSURE FOR NO FAULT SYSTEMS WILL SPREAD TO OTHER PROVINCES IN NEAR FUTURE. IN ORDER TO INFLUENCE DECISIONS, HEAD OF MAJOR BRITISH COMPANY WHO SERVES AS SPOKESMAN FOR INDUSTRY SAID THAT INDUSTRY WAS WORKING ON PROGRAM, SIMILAR TO THAT PROPOSED BY QUEBEC, TO PRESENT TO ONTARIO GOVERNMENT. UPON HEARING NEWS OF QUEBEC PROGRAM, THIS SOURCE SAID THAT HE HAD GIVEN ORDER TO RESUME HIRING IN QUEBEC DIVISION, WHERE JOBS HAD BEEN LEFT VACANT FOR LAST FIVE MONTHS AWAITING INDICATIONS OF PQ POLICY ON AUTOMOBILE INSURANCE.
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